

November 13, 1995

Ms. Nancy Conrad  
Brand Manager -- Cambridge  
Philip Morris USA  
120 Park Ave.  
New York, NY 10017

## **Re: Some Thoughts on Cambridge in 1996**

Dear Nancy:

Coming out of our meeting last week to discuss the start of Cambridge Supermarket Program, some thoughts occurred to us, regarding some of the complex issues you raised regarding Cambridge's strategic objectives with respect to its audiences in 1996.

### **The Problem**

As you accurately stated, Cambridge is in the difficult position of having a declining sales base, a defecting user base, and little margin for error within the next 24 months if the brand's course is to be corrected. Within that context, you logically concluded that the evolution of a Club Cambridge should be "tabled", pending research on loyalty segmentation and purchase habits of Cambridge's audience. (We understand that decision completely.)

### **Our Concern**

Given Cambridge's declining business base and its proximity to that dreaded "non-advertised" brand status, we have a concern (which we're sure is mutual) that we don't have very much time to move aggressively and effectively to right Cambridge's course. If we spend a prolonged period not defending our most loyals and/or not aggressively seeking to increase S.O.P. among low loyals, we may lose critical momentum in the brand's struggle to thrive.

### **A Possible Oversimplification**

Isn't the critical question, "Who are the Cambridge out-switchers and where are they going?"

### **Discussion**

As we discussed, the crucial issue for Cambridge is stemming the decline (i.e., minimizing out-switchers). We recall from previous conversations, that, at one time, Cambridge lost its users to Doral, GPC and, to some extent, Marlboro. If the majority of the out-switcher volume is from low-loyals, we should target low-loyals and competitive users to increase Cambridge S.O.P. If the majority of the out-switcher volume is from most-loyals, we should target most-loyals to maintain Cambridge continuity of purchase.

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## Indicated Action

Nancy, we realize that a calendar of Cambridge catalog mailings is in place, divided among offensive and defensive mailings. Actually, that may be totally appropriate for a brand that is maintaining its present course. However, we believe that the key Cambridge out-switcher segment (whatever that may be) requires aggressive action as soon as possible in 1996. We simply (or oversimply) recommend that Cambridge's focus in 1996 be "action" against key users, rather than "completeness of research" across multiple segments.

One possible course of action would be to implement the following "real-life" research:

- Heavy-up "offensive" mailings, targeted to low loyals in one geography,
- Heavy-up "defensive" mailings, targeted to most loyals in another geography.
- The scheduled calendar, running in a similar geography, as a control.

If we move rapidly, initial "in-market" results would be available by the end of 1st Qtr, 1996 and we could be prepared to move against a larger segment of Cambridge users in qtrs. II-IV of 1996. Of course, we would recommend continuing to read heavy-up results beyond first quarter, 1996 to confirm our hypotheses.

If there are any other, quicker avenues to the assessment of Cambridge out-switchers, we recommend moving as quickly as possible to verify our assumptions and proceeding to implementation. In other words, we think that "smart things done quickly" are the only way to keep "The Cambridge Diner" open.

Nancy, we would be happy to discuss this recommendation with you and how we might help you further. (And now, back to the Supermarket Program . . .)

Best regards,



Jim Kaczowski  
Account Supervisor

cc: J. Lichtman, D. Himmel, PM  
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